

STATE OF CALIFORNIA

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CONTROLLER OF CALIFORNIA

OFFICE OF STATE CONTROLLER
PERSONNEL/PAYROLL SERVICES DIVISION
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P.O. Box 942850
Sacramento, CA 94250-5878

Date: November 15, 1999

PAYROLL LETTER # 99-022

To: All Agencies/Campuses in the Uniform State Payroll System

From: Ralph Zentner, Chief
Personnel/Payroll Operations Bureau

Re: SPECIAL ACCOUNTING PERIOD FOR NON-CASH FRINGE BENEFITS

This letter provides reporting instructions for non-cash, taxable fringe benefit values received in December 1999 and a sample employee notification letter regarding Special Accounting Period (SAP) provisions.

GENERAL INFORMATION

As outlined in Payroll Procedures Manual (PPM), Section I-165, a SAP was established in January 1996 for non-cash taxable fringe benefit values. The SAP is December through November. Non-cash values received and reported to this office from December 1998 through November 1999 will be reflected on the 1999 Form W-2. Please refer to Payroll Letter # 99-018 for 1999 reporting cutoff dates.

The SAP requires special reporting for non-cash values received in December and notification to affected employees. The following outlines reporting instructions for values received in December 1999 and a sample employee notification letter.

BENEFITS IMPACTED BY SAP

The value of all non-cash, taxable benefits received by employees in December 1999 and reported to the State Controller's Office on form STD. 676V, NON-USPS ADJUSTMENT REQUEST --VALUES (FRINGE BENEFIT/EMPLOYEE BUSINESS EXPENSE) will be reported under the SAP. Please refer to PPM Section I-165 for a complete benefit listing.

SPECIAL REPORTING INSTRUCTIONS -- DECEMBER ONLY

Please complete the form STD. 676V using PPM Section I-163 procedures. NOTE: when completing Column 9 (Issue Date), ENTER 01/01/00 FOR ALL NON-CASH VALUES RECEIVED DURING DECEMBER 1999.

Non-cash fringe benefits MUST be reported in the month following receipt of the benefit. If the Form STD. 676V is received by the 10th of the month, taxes will be withheld from that month's

payroll warrant. Note: Federal and State Income taxes are not withheld from the December Warrant for fringe benefit amounts reported for November. See PPM Section I Attachment DD table for the form STD. 674V submission schedule.

EMPLOYEE NOTIFICATION

The Internal Revenue Service requires employers (agencies/campuses) to:

- 1) notify affected employees of SAP reporting provisions;
- 2) instruct employees to use the same SAP as the employer when filing personal income tax returns: and
- 3) notify employees of the SAP no sooner than the receipt of the last paycheck of the calendar year and no later than release of the employee's Form W-2

NOTE: Agencies/campuses are encouraged to use the attached sample notification letter.

CONTACTS

If you require additional information, use the following contacts for assistance:

SAP Questions	
Chris Knutson	(916) 322-8112
Tax Support Section	CALNET 492-8112

Form STD. 676V Completion	
Payroll Operations	(916) 322-8100
W-2 Unit	CALNET 322-8100

RZ:CK/TSS

ATTACHMENT -- SAMPLE LETTER TO EMPLOYEES IMPACTED BY SAP

January 8, 2000

Dear State Employee:

The Internal Revenue Service (IRS) permits employers to adopt a Special Accounting Period (SAP) for reporting non-cash, taxable fringe benefits values. The SAP allows employers to report values received late in one calendar year as income in the subsequent tax year. The SAP minimizes late reporting, issuing corrected Forms W-2 and employees filing amended income tax returns.

In January 1996, the State Controller's Office adopted a December through November SAP calendar. For Tax Year 1999, your Form W-2 will show non-cash values reported for December 1998 - November 1999.

NON-CASH, TAXABLE FRINGE BENEFITS

Under the SAP Program, the following non-cash, taxable values are affected:

- | | |
|--|--|
| - Value of State Housing | - Lottery Sales Recognition Program |
| - Educational Assistance | - Rideshare Incentive Award Program * |
| - Loan Assumption Program | - Personal Use of State Vehicle |
| - Loan Forgiveness Program | - Group-Term Life Insurance (Legislators) |
| - Out-Placement * | - Forgivable Loan/Doctoral Incentive Program * |
| - Fee Waiver Program * | - Merit Award Program (cash equivalent) |
| - Commuter Highway Vehicle * | - Vehicle Provided by Third Parties* |
| - Uniform Allowance | - Discount Travel/Transit Pass |
| - Car/Van Pool * | - Electronic Devices |
| - Miscellaneous Incentive Program (cash equivalent) | - Dues and Memberships |
| - Overtime Meal Compensation (i.e., Meal Tickets) | |
| - Tickets | |
| - Incentives Provided by Third Parties (cash equivalent) | |

* denotes CSU Program

IRS REQUIREMENTS

IRS requires that employees use the same accounting period (December through November) when filing tax returns. Itemized deductions related to non-cash, taxable values received in December 1999 must be claimed in the following tax year (2000).

Questions

If you have questions regarding the SAP Program, please contact the Personnel/Accounting Office. Contact your tax advisor or the IRS regarding tax filing questions.